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Mr Andrew Reeves
Commissioner
Government Prices Oversight Commission
GPO Box 770
Hobart Tas 7001

Dear Mr Reeves

METRO PRICING POLICIES INVESTIGATION – DRAFT REPORT

I disagree with any move to increase Metro bus fares.

The Government Prices Oversight Commission has state in its reasons for advocating a price increase in Metro fares that Metro is given a \$20 million subsidy by the Tasmanian State Government every year. But this headline subsidy does not take into account the external benefits of bus transport.

Traffic congestion in Hobart is a major public “bad” for all road users and pedestrians. GPOC has stated that, “traffic conditions are not a significant factor in Tasmanian cities”. That is entirely incorrect. Traffic congestion is certainly a problem in Hobart, particularly during peak hours.

Traffic congestion is also an increasing problem, and one that has recently been highlighted and discussed by local politicians, including the lord Mayor of Hobart, Rob Valentine, and also Alderman John Freeman. Proposals for a tunnel under Hobart and an extension to the Southern Outlet through West Hobart or McRobies Gully have been suggested. These proposals would cost tens, if not hundreds of millions of dollars.

A far cheaper of reducing traffic congestion in Hobart would be to reduce the number of cars entering the city by encouraging people to catch the bus instead of driving. Many vehicles travelling into and out of the city carry only one person. This is a rather inefficient use of road space. In contrast, Metro buses travelling in and out of the city often carry more than twenty people. Thus, bus travel involves a relatively efficient use of road space.

To measure the cost of traffic congestion accurately is probably rather difficult, but it is possible to speculate or “guestimate” a possible figure. This can be done by noting that the cost of parking at a parking meter in the city is around one to two dollars an hour. The average car that drives into Hobart may spend five minutes on the road within the city before reaching its destination. A car when driving probably takes up five times its own space when including following distance from the car in front. Thus, at the rate equivalent to the cost of parking at a parking meter, each car that drives into the city should be charge an economic rent of 63 cents (one way, at a rate of \$1.50 per hour). If a bus carries fifteen passengers into town, and the bus takes up three times as much space as the average car, then that means that bus travellers should be charged an economic rent of 13 cents (one way, at a rate of \$1.50 per hour).

Currently, car travellers are not charged any fee at all for driving into or out of the city. Note that some cities do in fact have tollways. Therefore, by the aforesaid calculations, car travellers are being given an implicit subsidy of 63 cent for each one-way trip into and out of the city, while bus travellers are being given a 13 cent subsidy. The difference is fifty cents. The overall effect of this is that car travellers are being given a subsidy of 50 cents over and above what bus travellers are given. It follows from that that it would make sense to compensate for that implicit subsidy by giving each bus traveller an explicit subsidy of 50 cents one-way for each trip into and out of the city of Hobart.

Note that this analysis assumes that the rate at which parking meters charge parked cars equals the actual economic value of the land being occupied. I suggest that if anything, parking meters charge less than that, and if so that would make the 50 cent net result conservative. Nevertheless, parking meter rates represent a rough guide of the cost of space in the city centre of Hobart.

Considering that GPOC has recommended fare be increased by 50 cents to remove the existing subsidy, if the true economic cost of traffic congestion in the city of Hobart is fully taken into account then the reason for that recommendation is removed; and thus, there should be no increase in Metro fares.

Also, it is likely that car transport is also subsidized by the State, Commonwealth and Local Governments in the form of road construction and maintenance. It is likely that the overall cost of building and maintaining roads is greater than the amount of money raised in the form of fuel excise. Note that buses do not cause as much wear and tear on the roads, nor take up as much space per person per vehicle.

In conclusion, Metro fares should not be increased in order to encourage people to travel into and out of the city by public bus instead of by car; thus leading to less traffic congestion, or at least no increase in traffic congestion in the city of Hobart.

Yours sincerely

Tomas Nilsson